

## **Keynote Speech by HE Minister of Finance YOUSEF HUSSAIN KAMAL**

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How the Government is supporting the emerging insurance market

Only a few years ago it would have been unthinkable for any city in the Middle East to host an event like this.

The presence here today of so many distinguished figures from the insurance and re-insurance industry is evidence of the way things have changed, and the potential in the regional insurance market has grown.

The region is, of course, starting from a very small base in terms of insurance. The \$6.2 billion of business generated in 2006, is only 0.17 per cent of the global insurance industry.

But even this represents a dramatic transformation in the level of business. This growth has been possible because the regional insurance sector is much more open and considerably better regulated. There are many more local and international insurance companies. This has stimulated real competition for business, which in turn ensures that customers receive the best products and services.

As a result both life insurance and – particularly – non-life business have contributed to a growth of more than 20 per cent over the last five years.

In non-life insurance, premium growth in all GCC countries was in the first five years of this century higher than GDP growth. In life insurance, Bahrain and Saudi Arabia have delivered record levels of premium growth.

And there can be no doubt that this is just the beginning. All the evidence suggests that the insurance sector is set for a golden era over the next decade. Royal Sun & Alliance forecast annual double digit growth while AIG expect the Gulf market to double in the next three years.

In Qatar, although the life insurance business is growing rapidly, it still has enormous scope for development. Motor insurance remains the dominant non-life product. But other markets are sure to grow following the increased investment investments into infrastructure, property and aviation.

There are a number of reasons to be confident that the insurance industry can fulfil its potential.

First there is the oil and gas revenue. The region is going through a boom unprecedented in its history. And, in contrast to other periods of high oil prices, a significant portion of the surplus is being invested in the Middle East.

You only have to travel around the Gulf to see the evidence that billions of dollars are being invested in local projects. More than \$1.1 trillion is being invested in high value projects, with Qatar alone investing \$145 billion. This

means that the number of insurable assets is growing rapidly – and all the evidence suggests that this will continue.

Then there is social change. Historically medical services have been heavily subsidised, government pensions have been generous, but there has been a cultural reluctance to purchase life insurance.

Governments today no longer see themselves as sole providers of security for their whole national populations. As a result individuals are increasingly having to take responsibility for their own health insurance and creating funds to finance their retirement.

For a growing number of these non-life risks, such as health and motor insurance, compulsory insurance is increasingly being required. Qatar is now encouraging all private companies to provide universal health care for its employees.

Insurance companies have responded to this opportunity. The last few years have seen a growing number of leading international financial services organisations make significant investments in the region, priming themselves to take advantage of the business opportunities in the insurance sector.

In some cases they are expanding operations that were set up to service western expatriate communities or developing businesses set up with local partners.

This has in turn stimulated the local companies to raise their game.

Today we see insurance companies offering more products. Non-life insurance remains the dominant line of business but life is set to expand substantially.

The re-insurance market is also growing with many western companies establishing or seeking to establish local hubs for their regional business.

There is enormous potential for developing Captive Insurance. Tabreed, the first captive in the region, was set up in 2006. Qatar Petroleum has established its own business in this area, the Al-Koot Insurance Company. There could be as many as 15 captives created in the next five years.

And, there are new products that are tailored to the Islamic market. Takaful will be a major contributor to overall insurance growth in the Middle East because it is more culturally tailored and acceptable than traditional insurance products.

There is already evidence of this. According to Moody's, takaful premiums, which had reached \$2 billion in 2005, are set to grow to \$7.4 billion by 2015 with Middle East countries responsible for a major portion of this growth.

But, the recent growth could not have been achieved without the readiness of governments to create the right infrastructure for the industry.

One of the main reasons holding back the insurance industry in the region until very recently was the relative weakness of regulatory systems.

However attractive a market may be, international insurance companies will not have the confidence to establish a presence in any emerging region and be prepared to place risk locally unless they can operate under practical laws and regulations they can understand and trust.

That was the situation facing the Middle East until a few years ago.

However, some Middle East governments were determined to develop as financial centres, where the presence of international banks and liquidity provided both direct and indirect benefits to their economies.

Across the region today the regulatory oversight in the insurance sector is much better than at the start of the century and capital requirements are ensuring that only the most stable companies will be able to carry out business.

I think it is safe to say that standards in the region's financial centres are comparable – and in some cases better – than those of more developed insurance markets.

In Qatar, we created the Qatar Financial Centre in 2005 with the aim of developing a progressive and broadly based financial sector for this country. It has to be integrated with financial markets globally and instrumental in creating a knowledge-based economy.

We were determined to have a market that was robust enough and based on best practice to give confidence to international financial institutions and global regulators while allowing enough flexibility to allow business development to be driven by the market.

We believe that we have helped raised the standards of regulation and market development in the region, established a place for Qatar among the elite of the global financial services industry and improved the quantity and quality of financial services provided to our citizens.

The QFCA allows all types of banking, insurance, asset management, financial advisory services, securities and derivatives dealing and Islamic finance. There are now over 70 institutions here which reflects the success we have had.

I would highlight the fact that the environment that we have established allows the full range of insurance activities, including retail and wholesale insurance.

Equally important is our determination to create a sustainable and stable industry by having substantial minimum capital requirements for all those involved in insurance business.

I hope it will become self-evident in the course of this conference that the QFC Authority will support insurance and reinsurance companies, brokers, captives, educational and training centres, as well as rating agencies and loss adjustors and other related service providers in achieving success through the QFC.

I believe that the development of this industry in Qatar will be seen as a classic case of the government acting as an enabling partner in the development of markets. We have created a flexible but strong regulatory environment which provides the private sector with the opportunity to develop a strong and successful industry.

And there is no better example of our determination to help you succeed than this specialist insurance conference, Multaqa Qatar, which will I believe be of benefit to all those who take part.

Multaqa, as some of you may know, means rendezvous. This is the second time we have held this event. Last year was a great success but this year we have more delegates and our discussions will be even more challenging.

And the end of it I hope you will appreciate the extent of the region's social and economic transformation and the ways in which you can participate in this process by helping to meet the region's insurance and reinsurance needs.

Together we can build an industry that is prosperous and meets an important social and economic objective.